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IBS VIGYAN

VISIONING BANKERS

Evangelistically Speaking

Dear Stakeholders,

"The beautiful thing about learning is that no one can take it away from you." – B.B. King

As we enter the second half of the year, it is an ideal time to pause, reflect on our achievements, reassess our goals, and renew our commitment to professional excellence. In banking, where change is constant and customer expectations continue to evolve, learning is the foundation that enables us to remain competent, confident, and future-ready.

The banking sector is witnessing rapid transformation driven by digital innovation, artificial intelligence, evolving regulations, enhanced risk management practices, and increasing customer-centricity. These developments present both challenges and opportunities. Those who continuously update their knowledge and skills will not only adapt successfully but also emerge as leaders in this dynamic environment.

At IBS, we firmly believe that education is the most valuable investment a banking professional can make. Through our JAIIB, CAIIB, Bank Promotion, Certification Programmes, and various professional development initiatives, we remain committed to providing quality learning that bridges the gap between examination success and practical banking excellence.

This edition of IBS Vigyan has been thoughtfully curated with articles, regulatory updates, practical insights, examination guidance, and expert perspectives to help you stay informed and professionally enriched. I encourage every reader to make reading and continuous learning a daily habit, because small, consistent efforts invariably lead to extraordinary results.

Let us remember that excellence is not achieved overnight. It is built through discipline, perseverance, integrity, and an unwavering desire to improve each day. As we move forward together, let us embrace change with confidence, uphold the highest standards of professionalism, and continue contributing meaningfully to the growth of our institutions and the Indian banking sector.

I sincerely thank our faculty members, contributors, academic coordinators, students, and well-wishers for their continued trust and support. Your encouragement motivates us to constantly innovate and enhance the quality of banking education that IBS is known for.

May this edition inspire you to learn, grow, and achieve greater heights in your professional journey.

Sincerly yours

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Curated Cube

Taming the Tiger: India's Inflation Targeting Story

Inflation Targeting, pioneered by New Zealand in 1990, has become a global monetary policy standard. India adopted its own version — Flexible Inflation Targeting (FIT) — in 2016, legally anchored under Section 45ZA of the RBI Act. A six-member Monetary Policy Committee sets the repo rate to keep CPI inflation at 4%, within a 2–6% tolerance band. If inflation breaches this band for three straight quarters, the RBI must formally explain itself to the government — real accountability, not just intent. This legal framework provides clarity for the central bank to maintain its primary goal of price stability while also considering the needs of the economy.

The results speak for themselves. Average inflation, once running near 7% before 2016, has since moderated to roughly 4.9% — even through a pandemic, war-driven energy shocks, and global supply disruptions. By early 2026, CPI stood at 3.48%, comfortably inside the band. The government has now renewed the 4% target through 2031, signalling confidence that the framework works.

FIT also puts to rest the old fear that inflation control comes at growth's expense. Former MPC members note that bond yields during recent tightening cycles peaked far lower than in 2018 — direct evidence that credibility itself lowers borrowing costs and supports investment. Stable prices protect household purchasing power, sharpen policy transmission, and give businesses the confidence to plan long term.

The framework isn't beyond debate. Critics argue food and fuel volatility — outside the RBI's control — shouldn't dominate the CPI basket, though food and fuel make up over half of India's consumption, making headline inflation the more honest anchor. The RBI has also modernised its measurement tools with a new 358-item CPI series based on 2024 prices.

As India eyes developed-economy status, price stability isn't a side goal — it's foundational. A decade in, inflation targeting has evolved from a bold experiment into one of the country's most credible macroeconomic pillars.

(Cube gives a third dimension in geometry. Curated Cube endeavors to conflate events in the market over the past month.)

FOURTH PILLAR

COMPULSORY BUNDLING: Compulsory bundling is an unfair trade practice where a seller makes the purchase of one product or service strictly conditional upon buying another, often unwanted, item. This is also known as "forced bundling," it prevents customers from purchasing primary goods without the add-ons. This practice often leads to mis-selling and hidden costs. For example, in the financial sector, a bank might offer a home or auto loan, but require the borrower to also purchase a specific life or property insurance policy from their preferred partner to get the loan approved. Because such practice forces consumers to pay for extra, sometimes unsuitable products, Reserve Bank of India have strictly banned compulsory bundling.

DARK PATTERNS: They are also known as deceptive design patterns, are unethical user interface (UI) design strategies. They deliberately trick or manipulate users into taking actions they did not intend, such as buying unwanted items, agreeing to hidden fees, or giving up personal data. These techniques exploit cognitive biases, human psychology, and habits to prioritize business goals over user welfare. Because these practices directly harm consumers financially and subvert free choice, they are heavily scrutinized by regulatory bodies globally. As per RBI guidelines, Banks in India are not allowed dark patterns practices. Some of the examples of Dark Patterns are 'False Urgency', 'Basket Sneaking', 'Confirm Shaming', 'Forced Action', 'Subscription Traps', 'Interface interference', 'Bait & Switch', 'Drip Pricing', 'Disguised Ads', 'Trick Wording' and 'Nagging' etc.

SWAP FACILITY FOR ECBs & OVERSEAS FOREIGN CURRENCY BORROWINGS (OFCBs): The Reserve Bank of India has introduced a US Dollar–Rupee Forex Swap Facility to facilitate cheaper and more efficient foreign currency borrowing by Public Sector Undertakings (PSUs) and Authorised Dealer (AD) Category-I banks. The facility aims to reduce the cost of hedging external borrowings, encourage overseas capital inflows, enhance foreign exchange liquidity, and provide stable access to foreign currency funds at a lower cost. By offering a fixed-cost swap mechanism through RBI, this facility minimizes exchange rate risk, improves the affordability of external borrowings, and supports investment and economic growth while strengthening the country's external financing framework.

COMPENSATION FOR SMALL VALUE ELECTRONIC BANKING TRANSACTIONS (EBTs): Under the Limiting Liability of customers in unauthorized EBTs provision issued by the RBI, a bona fide customer (individual) who has suffered a financial loss up to ₹50,000 by way of EBT, and has reported the fraud to the bank, and on the National Cyber Crime Reporting portal, or by calling 1930, within 5 calendar days of the fraudulent transaction, will receive compensation of 85% of the net loss or ₹25,000, whichever is lower.

EXEMPTION OF FCNR (B) DEPOSITS FOR CRR & SLR REQUIREMENT: The Reserve Bank of India has exempted banks from maintaining Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) on eligible FCNR(B) deposits to encourage foreign currency inflows and strengthen the country's foreign exchange reserves, improve the banking system liquidity and support the strengthening of India's external sector position. The CRR/SLR exemption was operationalised through amendments to the respective CRR & SLR Directions dated June 8, 2026, to be made effective from 1st July 2026.

RISK WEIGHT FOR LOANS SANCTIONED UNDER ECLGS 5.0 (EMERGENCY CREDIT LINE GUARANTEE SCHEME): The portion of loans guaranteed by ECLGS 5.0 will attract a 0% RW to the extent of 75% of the guaranteed amount. This benefit is available for the guaranteed portion where the guarantee settlement amount is expected to be received within 30 days from the date of invocation of the guarantee by the bank. The remaining portion of the loan, including the balance of the guaranteed amount beyond the eligible 75%, and the un-guaranteed portion of the loan, shall continue to attract RW as per the existing guidelines of RBI.

(Fourth Pillar strives to position beyond the three pillars of Basel and is culled from the Four Estates)

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INQUISITIVELY SPEAKING

1. Which dark pattern method involves creating a psychological exigency in a customer's decision-making ability?
a) Basket Sneaking
b) Drip Pricing
c) Nagging
d) False urgency

2. Which dark pattern method involves adding extra items or charges at the checkout without the consent of the customer?
a) Interface inference
b) Basket sneaking
c) Trick Wording
d) Disguised Advertisement

3. Which dark pattern strategy uses repeated pop-ups or prompts even after the user has refused for such things?
a) Bait & Switch
b) Subscription Trap
c) Nagging
d) Confirmation Shaming

4. Banks in India are required to offer or sell their own or 3rd party financial products only after obtaining the customer's explicit consent through approved modes, while allowing customers to select only the products they want. Banks must preserve such consent records for __ years after the contract ends.
a) 3 b) 5 c) 2 d) 1

5. A Bank is required to mandatorily send instant SMS alerts to its customers for all Electronic Banking Transactions (EBTs) of value more than ₹ ......
a) 100 b) 250 c) 500 d) 1000

6. Which of the following is not considered as a negligence by a customer?
a) Failing to exercise reasonable care in usage of credentials such as PIN, password, OTP or other details such as providing credentials for carrying out transactions toanother person, whether intentionally or otherwise, writing down and storing the PIN with a debit/credit card, etc.
b) Downloading malicious apps
c) Not notifying the bank promptly after finding out about a fraudulent EBT, or loss of a debit/credit card
d) Not paying attention to specific, directed and clear warnings from the bank that a prospective transaction is likely a scam
e) Failing to update their registered mobile number/ email address with the bank in case of change. f) System malfunctions/security breaches/internal frauds leading to unauthorised EBTs.

ANSWER KEY

1.d 2.b 3.c 4.d 5.c 6.f

Stretch n Speak

WDE: Wilful Default Exposure

DLG: Default Loss Guarantee

EMV Chip: Europay, Mastercard & Visa Chip

FMG: Fraud Monitoring Group

LCA: Local Currency Arrangement

NSFI: National Strategy for Financial Inclusion

OPPI: Output Producer Price Index

SPPI: Service Producer Price Index